

## Supplementary Information

The information below has been provided to enhance understanding of the terminology and performance measures that have been used in the accompanying presentations.

### Group Measures

#### Replacement cost profit and underlying replacement cost profit

Replacement cost profit or loss reflects the replacement cost of supplies. The replacement cost profit or loss for the period is arrived at by excluding from profit or loss inventory holding gains and losses and their associated tax effect. Replacement cost profit or loss for the group is not a recognized GAAP measure.

Underlying replacement cost profit is replacement cost profit or loss adjusted for non-operating items and fair value accounting effects.

#### **Reconciliation of profit (loss) before interest and tax for the group to underlying replacement cost profit attributable to BP shareholders**

Total Group						\$million				
	Q1	Q2	Q3	Q4	2011	Q1	Q2	Q3	Q4	2012
Profit (loss) before interest and tax	11,637	9,077	7,724	11,379	39,817	9,153	(1,603)	-	-	7,550
Inventory holding (gains) losses	(2,412)	(493)	372	(101)	(2,634)	(1,437)	2,324	-	-	887
Replacement cost profit before interest and tax	9,225	8,584	8,096	11,278	37,183	7,716	721	-	-	8,437
Less non-operating items:										
- Gulf of Mexico oil spill response	(384)	617	(541)	4,108	3,800	30	(843)	-	-	(813)
- Other non-operating items	512	(1,145)	349	(10)	(294)	387	(4,155)	-	-	(3,768)
Less fair value accounting effects	128	(528)	(192)	4,098	3,506	417	(4,998)	-	-	(4,581)
Underlying replacement cost profit before interest and tax	(71)	129	15	1	74	(95)	(180)	-	-	(275)
Finance costs and net finance income (expense) relating to pensions and other post-retirement benefits	9,168	8,983	8,273	7,179	33,603	7,394	5,899	-	-	13,293
Less Finance costs relating to Gulf of Mexico oil spill response	(239)	(249)	(234)	(261)	(983)	(230)	(212)	-	-	(442)
Minority interest	(16)	(15)	(14)	(13)	(58)	(6)	(4)	-	-	(10)
Taxation on an underlying replacement cost basis	(223)	(234)	(220)	(248)	(925)	(224)	(208)	-	-	(432)
Underlying replacement cost profit attributable to BP shareholders	(3,380)	(2,974)	(2,413)	(1,856)	(10,623)	(2,310)	(1,961)	-	-	(4,271)
Minority interest	(61)	(70)	(177)	(89)	(397)	(61)	(45)	-	-	(106)
Underlying replacement cost profit attributable to BP shareholders	5,504	5,705	5,463	4,986	21,658	4,799	3,685	-	-	8,484

#### **Reconciliation of replacement cost profit (loss) before interest and tax for segments to underlying replacement cost profit (loss) before interest and tax**

						\$million				
	Q1	Q2	Q3	Q4	2011	Q1	Q2	Q3	Q4	2012
<b>Upstream</b>										
Replacement cost profit before interest and tax	7,423	5,631	6,748	6,564	26,366	6,979	2,913	-	-	9,892
Less non-operating items	710	(664)	500	584	1,130	822	(1,495)	-	-	(673)
Less fair value accounting effects	29	(35)	(39)	56	11	(133)	7	-	-	(126)
Underlying replacement cost profit before interest and tax	6,684	6,330	6,287	5,924	25,225	6,290	4,401	-	-	10,691
<b>Downstream</b>										
Replacement cost profit (loss) before interest and tax	2,079	1,338	1,493	564	5,474	856	(1,736)	-	-	(880)
Less non-operating items	(17)	(218)	(227)	(140)	(602)	(106)	(2,678)	-	-	(2,784)
Less fair value accounting effects	(100)	164	54	(55)	63	38	(187)	-	-	(149)
Underlying replacement cost profit before interest and tax	2,196	1,392	1,666	759	6,013	924	1,129	-	-	2,053
<b>TNK-BP (BP share, net of finance costs, taxation and minority interest)</b>										
Net income on a replacement cost basis	1,127	1,081	939	987	4,134	1,064	452	-	-	1,516
Less non-operating items	-	-	-	-	-	(93)	-	-	-	(93)
Less fair value accounting effects	-	-	-	-	-	-	-	-	-	-
Net income on an underlying replacement cost basis	1,127	1,081	939	987	4,134	1,157	452	-	-	1,609
<b>Other businesses and corporate</b>										
Replacement cost profit (loss) before interest and tax	(478)	(598)	(330)	(1,072)	(2,478)	(672)	(522)	-	-	(1,194)
Less non-operating items	(181)	(263)	76	(454)	(822)	(236)	18	-	-	(218)
Less fair value accounting effects	-	-	-	-	-	-	-	-	-	-
Underlying replacement cost profit (loss) before interest and tax	(297)	(335)	(406)	(618)	(1,656)	(436)	(540)	-	-	(976)

#### Inventory holding gains and losses

Inventory holding gains and losses represent the difference between the cost of sales calculated using the average cost to BP of supplies acquired during the period and the cost of sales calculated on the first-in first-out (FIFO) method after adjusting for any changes in provisions where the net realizable value of the inventory is lower than its cost. Under the FIFO method, which we use for IFRS reporting, the cost of inventory charged to the income statement is based on its historic cost of purchase, or manufacture, rather than its RC. In volatile energy markets, this can have a significant distorting effect on reported income. The amounts disclosed represent the difference between the charge (to the income statement) for inventory on a FIFO basis (after adjusting for any related movements in net realizable value provisions) and the charge

that would have arisen if an average cost of supplies was used for the period. For this purpose, the average cost of supplies during the period is principally calculated on a monthly basis by dividing the total cost of inventory acquired in the period by the number of barrels acquired. The amounts disclosed are not separately reflected in the financial statements as a gain or loss. No adjustment is made in respect of the cost of inventories held as part of a trading position and certain other temporary inventory positions. Management believes this information is useful to illustrate to investors the fact that crude oil and product prices can vary significantly from period to period and that the impact on our reported result under IFRS can be significant. Inventory holding gains and losses vary from period to period due principally to changes in oil prices as well as changes to underlying inventory levels. In order for investors to understand the operating performance of the group excluding the impact of oil price changes on the replacement of inventories, and to make comparisons of operating performance between reporting periods, BP's management believes it is helpful to disclose this information.

### Non-operating items

Non-operating items are charges and credits arising in consolidated entities and in TNK-BP that are included in the financial statements and that BP discloses separately because it considers such disclosures to be meaningful and relevant to investors. They include all charges and credits relating to the Gulf of Mexico oil spill. They are items that management considers not to be part of underlying business operations and are disclosed in order to enable investors better to understand and evaluate the group's reported financial performance.

### Fair value accounting effects

Fair value accounting effects are defined on page 21 of our second-quarter 2012 results announcement. A reconciliation to GAAP information is set out below:

	Q1	Q2	Q3	Q4	2011	Q1	Q2	Q3	Q4	2012
<b>\$million</b>										
<b>Upstream</b>										
Replacement cost profit before interest and tax adjusted for fair value accounting effects	7,394	5,666	6,787	6,508	26,355	7,112	2,906	-	-	10,018
Impact of fair value accounting effects	29	(35)	(39)	56	11	(133)	7	-	-	(126)
Replacement cost profit before interest and tax	7,423	5,631	6,748	6,564	26,366	6,979	2,913	-	-	9,892
<b>Downstream</b>										
Replacement cost profit before interest and tax adjusted for fair value accounting effects	2,179	1,174	1,439	619	5,411	818	(1,549)	-	-	(731)
Impact of fair value accounting effects	(100)	164	54	(55)	63	38	(187)	-	-	(149)
Replacement cost profit (loss) before interest and tax	2,079	1,338	1,493	564	5,474	856	(1,736)	-	-	(880)
<b>Total group</b>										
Profit (loss) before interest and tax adjusted for fair value accounting effects	11,708	8,948	7,709	11,378	39,743	9,248	(1,423)	-	-	7,825
Impact of fair value accounting effects	(71)	129	15	1	74	(95)	(180)	-	-	(275)
Profit (loss) before interest and tax	11,637	9,077	7,724	11,379	39,817	9,153	(1,603)	-	-	7,550

Net debt – Ratio of net debt (finance debt, including the fair value of associated derivative financial instruments that are used to hedge foreign exchange and interest rate risks relating to finance debt, for which hedge accounting is claimed, less cash and cash equivalents) to net debt plus equity.

The table below presents BP's Debt to Debt plus Equity ratio on a gross basis as net debt is not a recognized GAAP measure:

	2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Gross debt	47,102	46,890	45,283	44,213	46,470	47,662	-	-
Less: fair value asset (liability) of hedges related to finance debt	870	1,173	1,454	1,133	1,224	1,067	-	-
Cash and cash equivalents	18,726	18,749	17,997	14,067	14,092	14,881	-	-
Net debt	27,506	26,968	25,832	29,013	31,154	31,714	-	-
Equity	103,313	108,636	110,659	112,482	119,220	113,323	-	-
Gross debt to gross debt-plus-equity ratio	31.3%	30.1%	29.0%	28.2%	28.0%	29.6%	-	-
Net debt to net debt-plus-equity ratio	21.0%	19.9%	18.9%	20.5%	20.7%	21.9%	-	-

Inorganic capital expenditure (Inorganic Capex) is equal to acquisitions and asset exchanges plus the expenditure associated with deepening our natural gas asset base.

Organic capital expenditure (Organic Capex) is equal to total capital expenditure and acquisitions less inorganic capital expenditure.

Operating capital employed – total assets (excluding goodwill) less total liabilities, excluding finance debt and current and deferred taxation. BP publishes segment results on a pre-tax basis and publishes operating capital employed for each segment.

Operating cash flow

The terms 'operating cash', 'operating cash flow' and 'operating cash margin' are defined as 'net cash provided by (used in) operating activities' as stated in the condensed group cash flow statement, excluding TNK-BP dividends. When used in the context of a segment rather than the group, the terms refer to the segment's share thereof.